Nova Scotia

ANNUAL REPORT

For the fiscal year
Ending March 31, 2003

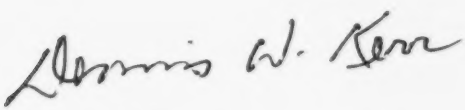
Alcohol and Gaming Authority

The Honourable Ronald S. Russell, CD
Minister of Environment and Labour

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 2003. The Report reflects all activities of the Alcohol and Gaming Authority (including gaming, liquor and theatre and amusement activities).

Yours very truly,



Dennis W. Kerr
Executive Director
Alcohol and Gaming Authority

TABLE OF CONTENTS

TABLE OF CONTENTS 3
EXECUTIVE DIRECTOR'S REPORT 4
ABOUT THE AUTHORITY 6
Mandate 6
Organization 7
Goals 8
CORE FUNCTIONS 9
Licensing and Registration 9
Investigation and Enforcement 9
Film Classification 10
Gaming Research 10
Gaming Registration Issuance 11
Gaming License Issuance 12
Theatre and Amusement License Issuance 13
Liquor Licenses in Effect as of March 31, 2003 14
Special Occasion Liquor License Issuance 15
Film/Video Classifications 16
Liquor, Amusement, & Gaming Inspections 17
Liquor, Amusement, & Gaming Complaints 17
Liquor, Amusement, & Gaming Investigations 18
Liquor, Amusement, & Gaming Disciplinary Actions . . 18
Casino Voluntary Exclusion Program 19
FINANCIAL STATEMENTS (Unaudited) 20

EXECUTIVE DIRECTOR'S REPORT

It is my pleasure to report on the operations of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2003.

In the past year, the Alcohol and Gaming Authority has worked towards its goal of improving efficiency and reducing red tape. This endeavour has been achieved through regulatory amendments, business process improvements, and technology upgrades. The Authority is attentive to the industry it serves, and welcomes stakeholder input to ensure that it remains as an effective regulatory body.

The Alcohol and Gaming Authority's automated licensing system has been upgraded, tested, and implemented. This development has facilitated licensing requests, thereby saving time and improving data accuracy.

In an effort to facilitate the security clearance process for casino gaming assistant registrations, the Authority blended three separate classes of security clearance (levels I, II, and III) into one level. The previous system inhibited the mobility of Casino Nova Scotia staff, and created an administrative burden for the Casino Gaming Investigation Section. The new system adequately addresses all security concerns for casino registrations.

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In the past year, the Alcohol and Gaming Authority renewed its lease at 40 Alderney Drive, which permitted existing office space to be reconfigured in order to move the Film Classification function to the 5th floor, from its interim space on the ground floor. The move is not only prudent from a logistical standpoint, but is also a cost savings of rental fees.

The following report details the activities of the Alcohol and Gaming Authority for the 2002/2003 fiscal year. During this time, the Authority has provided an effective regulatory environment for the alcohol, gaming, and amusement industries in Nova Scotia.

Dennis W. Kerr
Executive Director

ABOUT THE AUTHORITY

Mandate

The Alcohol and Gaming Authority is the regulatory body charged with administering Part II of the *Gaming Control Act*, parts of the *Liquor Control Act*, and the *Theatres and Amusements Act*. In broad terms, the Authority has the regulatory responsibility for liquor licensing; regulating the conduct of the casinos, bingos, lotteries and other licensed gaming; ensuring the public interest is protected; and regulating the safety and control of places of amusement.

The Authority's responsibilities include two broad mandates under Part II of the *Gaming Control Act*:

- To license and regulate gaming activity in Nova Scotia to ensure that these activities are conducted with honesty and integrity, while considering the social and economic interests of Nova Scotians.

- To study and report on certain aspects of gaming in Nova Scotia. The areas of study set forth in the Act include public interest and reaction to various forms of gaming; social, economic, health, justice, and environmental impacts of gaming; and the study of the gaming laws and activities in other jurisdictions.

Under the *Liquor Control Act*, the Authority has the mandate to:

- regulate licensed premises for the sale of liquor on the premises;

- recommend public hearings to the Utility and Review Board in order to receive public and community input into applicants' liquor licensing requests; and

- ensure liquor served in public premises has been properly purchased through the NS Liquor Corporation, and is therefore safe for public consumption and with tax correctly paid.

The Authority's mandate pursuant to the *Theatres and Amusements Act* includes film classification, licensing and regulation:

- Film classification duties include the viewing and subsequent classification of film products for use in Nova Scotia as well as the other Maritime Provinces

- Licensing and regulation duties include the processing, approval and control of theatres, places of amusement, and events where fees are charged to the public. Licenses are issued to arcades, drive-in theatres, halls, itinerant shows, carnivals, circuses, outdoor festivals, racetracks, theatres and video rental outlets.

Organization

The Alcohol and Gaming Authority is administered by the Minister of the Department of Environment and Labour, pursuant to Part II of the *Gaming Control Act*. The Authority comprises two divisions: 1) Licensing and Registration, and 2) Investigation and Enforcement. Other functions include film classification, and gaming research.

The Authority has a staff complement of 64, and operates from offices in Dartmouth and Sydney. Compliance staff are located throughout the Province with responsibilities for specific geographic regions. In addition, under contract with the Authority, a complement of RCMP officers provide gaming supplier and employee security clearances, and conduct cheat at play investigations at the casinos.

Goals

The current business plan for the Department of Environment and Labour outlines the following goals for the Alcohol and Gaming Authority for the 2003/2004 fiscal year:

- initiate policy and regulatory procedures required to support compliance programs relating to the *Smoke-free Place Act*;
- amend liquor licensing policy guidelines to ensure consistent application of regulations governing the operation of licensed premises;
- conduct a review of the film classification rating process to assist the public to make informed decisions about the movies their children view; and
- consult with bingo licensees to determine changes that could be made to assist them to sustain and increase their profit levels for charitable purposes.

CORE FUNCTIONS

Licensing and Registration

The Licensing and Registration Division issues licenses and registrations to operators of gaming, liquor and amusements activities in the province of Nova Scotia. This includes:

- bingos, bingo suppliers;
- ticket lotteries conducted by charitable and religious organizations;
- liquor establishments on a permanent and occasional basis;
- video outlets, theatres, and places of amusement;
- casino operator, staff and suppliers; and
- video lottery terminals.

Investigation and Enforcement

The Investigation and Enforcement Division monitors and inspects all licensees and registrants throughout the Province and investigates complaints of regulatory non-compliance.

The Investigation and Enforcement Division is responsible for monitoring the regulatory compliance of approximately 20,000 licensees and registrants, as well as conducting compliance surveillance at the casinos. Compliance inspections are focussed upon developing an understanding of and compliance with the Acts and their regulations.

The Gaming Analyst Section of the Division conducts regular testing of casino slot machine software to insure each machine is compliant with the legislated minimum payout percentage.

The Division is also responsible for reviewing and making

recommendations with respect to all approval requests from the casino operator pertaining to:

- ❖ casino surveillance and security systems;
- ❖ permitted games of chance played in casinos;
- ❖ Rules of Play; and
- ❖ slot machine installations, modifications, removals and relocations.

Film Classification

Film Classification provides the classification of film and video for release in Nova Scotia. Classification is made under the "Maritime Film Classification" name and is also utilized as a rating service by New Brunswick and Prince Edward Island.

Film classification provides viewers with information on the content of films or videos prior to attendance or viewing, and ensures that the classification is compliant with the regulations made under the *Theatres and Amusements Act*.

Gaming Research

The Alcohol and Gaming Authority is responsible for conducting research on the interest and reactions of the public towards gaming in Nova Scotia; and assessing the social, health, justice, economic, and environmental impacts of gaming in the Province. Since 1995/1996, the Alcohol and Gaming Authority has issued its *Annual Gaming Report*, presenting a compilation and synthesis of gaming related research conducted in the province.

Gaming Registration Issuance

	Halifax	Sydney	Total
Casino Registrations			
Gaming suppliers			18
Non-gaming suppliers - exemption			149
Non-gaming suppliers			33
Casino employees	921	265	1,186
Bingo Registrations			
Bingo supplier			2
TOTAL			1,388

To ensure honesty and integrity in all aspects of gaming, all casino suppliers and casino employees are subject to a security clearance process performed by the Authority. Different levels of security clearances are applied to gaming related suppliers (i.e., suppliers of actual gambling equipment), as compared to non-gaming related suppliers (i.e., restaurant suppliers).

Gaming License Issuance

License Type	Series	Single	Total
Bingo	391	153	544
Ticket lottery	426	543	969
Permits		5,301	5,301
Break-open		65	65
Games of chance/carnival		177	177
TOTAL	817	6,239	7,056

Series bingo, and series ticket lottery licenses are issued to organizations wishing to carry on a series of regular events.

Single bingo, and single ticket lottery licenses are issued for individual events.

Games of chance include charitable and commercial carnival events, Monte Carlo fun nights, and games of chance held at annual fairs and exhibitions.

Theatre and Amusement License Issuance

License Type	Total
Place of Amusement	
Arena	46
Arcade	19
Halls	489
Halls - pool	31
Race track - car	8
Bowling alley	36
Park	7
Festival / Concert	25
Itinerant	8
Golf / Mini golf	11
Other	1
Film theatre	17
Drive-in theatre	3
Live theatre	11
Film Exchange	
Video outlets	913
Film distributors	44
TOTAL	1,669

Liquor Licenses in Effect as of March 31, 2003

License Type	Total
Liquor License	
Beverage Room	25
Cabaret	9
Catering	27
Club	381
Eating Establishment	902
Lounge	431
Military	8
Permanent Special Occasion	6
Special Premises	253
TOTAL	2,042

Special Occasion Liquor License Issuance	
License Type	Total
Class I	1,270
Class II	4,117
Class III	1,603
TOTAL	6,990

Special Occasion License Class I are for events of a private nature for invited guests only, where liquor is being given away.

Special Occasion License Class II Resale are for events of a private nature for invited guests only. Advertising of these events is not permitted.

Special Occasion License Class III shall only be issued to non-profit organizations for community fund-raising events and allows approved advertising. Class III licenses may be issued to athletic organizations on a limited basis.

Film/Video Classifications

Classification	Video	35mm	DVD	Total
General	147	22	154	323
Parental Guidance	248	59	188	495
Adult Accompaniment	438	118	261	817
Restricted	186	12	105	303
Explicit Material	637	0	33	670
TOTAL	1,656	211	741	2,608

General (G): Considered to be suitable for all ages. There are no restrictions on viewing. The material does not contain elements that might be too intense or offensive for young viewers.

Parental Guidance (PG): All ages may attend. However, parents should know that the theme or content of the film may be more mature than in general films. It may be appropriate for those 12 years of age and over.

Adult Accompaniment (14): Considered to be suitable for those 14 years of age and older. Those under 14 must be with an adult.

Restricted (18): Considered to be suitable for those 18 years of age or older. Those under 18 must be escorted by a parent or legal guardian.

Explicit Material (XXX): Access limited to 18 years and older.

Exempt (E): Some types of videos are exempt from classification and carry an E label, including children's cartoons, travelogues, athletic events and cultural, industrial, religious or political films.

Liquor, Amusement, & Gaming Inspections

Inspections	Total
Liquor	36,538
Amusement	1,860
Gaming	
Bingo	424
Casino*	39,638
Technical	1,961
VLT	15,962
TOTAL	96,383

* Denotes total inspections conducted at both casinos, pertaining to over 200 casino regulations.

Liquor, Amusement, & Gaming Complaints

Complaints	Total
Liquor	96
Amusement	2
Gaming	
Bingo	98
Casino	10
VLT	3
TOTAL	209

Liquor, Amusement, & Gaming Investigations

Investigations	Total
Liquor	57
Amusement	1
Gaming	
Bingo	21
Casino	25
Technical	9
Other gaming	6
VLT	3
TOTAL	122

Liquor, Amusement, & Gaming Disciplinary Actions

Disciplinary Actions	Warnings	Hearings
Liquor	15	6
Amusement	1	0
Gaming		
Bingo	4	0
Casino - disciplinary	1	0
Casino - re-instatement	0	11
Lottery (Tickets)	0	0
VLT	15	0
TOTAL	36	17

Casino Voluntary Exclusion Program

Voluntary Exclusions	98
Reinstatement Hearings	
Approved	9
Denied	2

The Voluntary Exclusion Program is designed for individuals who feel it is in their best interest not to participate in casino gaming. By signing a Request for Voluntary Exclusion form, an individual can be refused access to the casino, pursuant to the *Casino Regulations* of the *Gaming Control Act*. An excluded participant may apply for reinstatement of access to the Casino by requesting a hearing before the Nova Scotia Utility and Review Board.

FINANCIAL STATEMENTS (Unaudited)

For Fiscal Year Ended March 31, 2003

Nova Scotia Alcohol and Gaming Authority
Statement of Revenue and Expenditures

Year Ended March 31	2003	2002
Revenue		
Liquor license fees	$ 3,733,413	$ 3,704,639
Lottery / Bingo licenses and fees	1,228,920	1,518,654
Casino fees	689,469	403,379
Amusement licenses	140,415	104,050
Miscellaneous	3,919	2,291
Parimutuel tax	-	(21,700)
Film screening and distribution fees	328,260	321,986
	6,124,397	6,033,299
Administrative expenditures	5,062,001	4,833,154
Net revenue	$ 1,062,395	$ 1,200,145

Nova Scotia Alcohol & Gaming Authority
Schedule of Administrative Expenditures

Year Ended March 31	2003	2002
Advertising and promotion	$ 2,243	$ 465
Bad debts	-	8,358
Computer processing	47,124	44,292
Equipment	22,431	11,094
Equipment leasing	13,337	12,597
Freight and duty	7,507	3,213
Interest on lease obligations	-	19,918
Meetings	135,030	109,449
Office	23,918	19,119
Other	34,458	12,399
Postage	24,195	26,039
Printing and stationery	50,822	45,868
Professional fees	147,129	143,348
Rent	319,330	297,900
Repairs and maintenance	1,263	1,312
Security services	444,700	441,104
Telephone	104,174	109,004
Travel	305,777	300,032
Training and development	9,527	20,058
Wages and benefits	3,369,036	3,207,586
	$ 5,062,001	$ 4,833,154

Nova Scotia Alcohol & Gaming Authority
Notes to the Financial Statements
March 31, 2003

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority is the regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusements Act and the Liquor Control Act. Revenues are derived from the sale and renewal of licenses and registration fees and the collection of taxes. The adjudication responsibilities of the Authority are conducted by the Utility Review Board.

2. Significant accounting policies

Capital assets

All items of a capital nature in excess of the thresholds established by provincial government policy are capitalized and amortized at rates established by the policy. As of March, 2003 the authority has no capital assets under the terms of this policy.

Audit

For fiscal years starting 2001 -2002, the financial audit of the Authority will be conducted by the Auditor General's Office as part of its review of the Department of Environment and Labour.

3. Receivables

	2003	2002
Lottery/Bingo/ Amusement	$ 153,256	$ 311,365
Film Screening Fees	114,420	101,238
Gaming	312,225	292,625
Liquor	96,556	101,778
Other	52,452	50,046
Pari-mutuel tax	-	1,144,560
	$ 728,908	$ 2,001,612
Less: allowance for doubtful accounts	334,075	1,491,871
	$ 394,833	$ 599,740

4. Related party transactions

The Authority purchases certain services from other departments of the Province of Nova Scotia on a fee for service basis, including but not limited to:

- leasehold and related maintenance;
- communication technology systems and network access.
- legal services

In addition, the Authority received services at no charge, including but not limited to:
- accounting technology systems and processing;
- human resource management;
- payroll processing, including pensions and benefit administration.

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